Top Five Reasons to Migrate Supply Chain Management to the Cloud

Discover how cloud-based supply chain application and business processes can help save you money and allow you to work more efficiently with your vendors and partners.

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Introduction

Today's fast-paced and competitive business environment demands flexible, agile and rapid IT solutions. No more is this true than in a discussion of supply chain management. In order for businesses to meet the changing, fickle and demanding needs of their customers—whether a product or service—suppliers and vendors have to be able to collaborate and speed deliverables to market. Market condition can change too, which makes an agile and responsive supply chain a valuable competitive advantage.

Cloud computing is a topic of intense interest in business circles. And, because of its far-reaching implications for supply chain management, it's of particular interest to businesses and enterprises looking to improve how they interact and collaborate with vendors. Of course, reducing costs is always a priority, and cloud computing has proven to be a cost-effective model in a number of business areas.

This white paper explores how cloud computing solutions can lower costs and improve supply chain collaboration. Specifically, we'll look at five areas that impact IT and business costs, as well as the benefits of migrating supply chain applications and processes to the cloud for improved business operations and goal execution.

#1

Reduced Costs

When looking at the possibility of migrating certain IT functions to the cloud, reduced costs is usually cited as a top reason to do it – and for good reason.

When you dissect all the costs associated with an IT infrastructure as it relates to any major business function, such as supply chain management, there are several significant expenditures that apply.

- Software licenses
- Software support and maintenance
- Hardware
- Hardware support and maintenance

Software licenses, in particular, can be a major expense. Depending on the structure of the license, your organization could be paying software license fees every year, or even as updates or new features are added. Service support contracts for software are also a significant expenditure.

When you look at migrating to the cloud, there are multiple opportunities to realize costs savings. Depending on the model, software as a service (SaaS) or cloud computing can help you eliminate some capital investments in software licenses, hardware expenditures and maintenance of your system's platform. Best of all, you can respond to sporadic requests of scaling up, and then scaling down when the need is no longer there.

The cost flexibilities inherent in the cloud can allow your organization to move away from a flat cost based structure to one that is more dynamic

and responsive, based on ongoing operating expenditures. You pay only for what you need and the service levels that fit your current requirements or the market conditions, all the while having peace of mind in knowing you can increase or modify your cloud-based capabilities, should you need to.

Migrating supply chain management to the cloud may also help reduce your cost expenditures related to internal IT resources and staff. With less of a need to maintain physical servers, data centers and other "land-based" assets, there may be an opportunity to streamline your existing IT resources and save significant dollars.

In summary, the traditional physically-constrained model of IT is burdened by a capital intensive structure, fixed costs and ongoing high maintenance and support expenditures. When you migrate your supply chain to the cloud, you benefit from much lighter capital requirements and a model that allows you to pay as you need, only when you need it.

It's also worth noting that migrating to the cloud often reduces the "emotional costs" associated with managing your technology assets. A well planned cloud-based supply chain approach can reduce the constant headaches and stress associated with dealing with many different vendors and parties. There's no need to micro-manage processes as much, and the different variables that go into keeping software licenses updated, and support level contracts extended can be simplified, automated or even eliminated.

#2

Supplier Consistency and Parity

The supply chain is composed of various vendors that usually fall under one of five categories:

- Suppliers
- Contract Manufacturers like OEM/ODM/JDM
- Third party logistics providers (3PL)
- Customers
- Retailers

Most businesses and enterprises must consistently and frequently manage and interact with many vendors, and sometimes there are multiple suppliers in each category. Of course, each of these vendors has different technological and communication capabilities. While your organization may require your suppliers to meet certain IT requirements, there are still almost always differences and often subpar capabilities when it comes to exchanging information, reporting and fulfilling requests.

Some may be able to meet data requirement in real-time, while others may not. Some vendors may not have the IT infrastructure to supply data when it's needed, or exchange information with other suppliers in order to meet your manufacturing or service level agreement deadlines. All of this can have a direct impact on your business and customer service levels.

Cloud computing, in essence, helps create parity in your supply chain by eliminating the need for your suppliers to invest in an IT infrastructure that meets your requirements. In addition, there are several other key improvements and capabilities worth noting. For example, cloud computing can help:

- Give your vendors the ability to meet your requirements without having the need to invest in a new IT infrastructure
- Quickly and automatically extend your approved business processes to your suppliers
- Add the capability for suppliers to provide real time updates and exchanges of information with you and other vendors with no lag
- Expedite on-boarding of new suppliers, allowing you to add to your supply chain with minimal trouble and headaches.

#3

Supply Chain Governance

Migrating your supply chain applications and business processes to the cloud provides a single point of contact that can empower your organization with more agile and effective supply chain governance. Depending on your specific processes, applications and interface, the possibility exists to create a supply chain "hub" structure in the cloud. With your organization at the center of the "hub," your team can easily—and in real-time—monitor communications, facilitate the flow of data and ensure suppliers are meeting their commitments.

This approach may require some customization, as some cloud efforts do. However, significant time savings will ultimately result from having a single point of contact and governance for all vendors.

In addition, cloud computing and more effective governance over vendors allows you to improve the quality of your supply chain relationships. Your organization will easily be able to identify more quickly, often in real time, those vendors that are meeting your needs in a responsive and cost-effective way. This allows you to better manage your supply chain overall. Plus, ultimately, effective governance will no doubt improve customer service levels as your supply chain becomes stronger and stronger.

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#4

More Agile, Real-time Collaboration

There are certain supply chain processes that are likely to be migrated to the cloud, and doing so opens up opportunities to work smarter, more efficiently, and in real time. Some of the more common activities that can be migrated to the cloud relatively easily include:

- ▶ Forecasting
- ▶ Logistics
- ▶ Purchasing
- ▶ Service
- ▶ Spare parts management

Cloud computing opens up many new opportunities in each of these areas. Improvements in data transfer, real-time report generation and warranty validation, itemized spend data, analytics and statistical forecasts can reap many rewards for businesses. Your organization may be able to use cloud-based tools to help dispatch services to a customer quicker, track shipments in real time, and more accurately inventory spare parts.

Your organization's ability to make smarter and more informed decisions can be positively impacted by the cloud too. Business decisions can be based on real-time data and more accurate analysis of vendor information, such as pricing, and product or raw material availability.

From a business perspective, a more agile supply chain can help you launch a new product or service more quickly, giving you an edge on the competition. Real-time collaboration with supply chain partners and increased ability to respond to changing market conditions and customer needs in a cloud-enabled environment can help contribute to your company's bottom line and facilitate growth.

#5

Synergy between IT and the Business

In order for any organization to effectively migrate to the cloud, it's important that both your IT team and the business units are completely in sync with each other. The business must first drive the effort, while IT executes the actual migration. Your business leaders within your organization should first identify goals, objectives and spending requirements.

Put another way, IT should not drive the migration to the cloud without signoff and clear direction – including expectations – from business units. From a cloud perspective, your business team will likely anticipate greater agility, higher service levels, and the ability to rapidly deliver to the company's customer base with reduced time to market.

But, beyond expectations and roles, migrating to the cloud, will have much greater, broader ramifications for your overall business. If done right, supply chain management in the cloud should also create a true synergy between business and IT, perhaps something that your organization has never seen before.

Migrating to the cloud will help:

▶ Transform the role of IT more towards a service integrator instead of simply a department that provides computers and IT services

▶ Facilitate greater teamwork and partnership between IT and the business units

▶ Drive primary business goals and achieve mission-critical objectives

▶ Get the highest value and return on IT investments.

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Conclusion

When looking at how advancements in technology, such as the cloud, can help drive your business forward, the supply chain is a likely area of focus. The complex nature of supply chain management— the many moving parts and partners, reliance on collaboration, large data sharing and transfer needs—make it a major business function that is ideally suited for cloud-based technology that simplifies and reduces costs.

For the five reasons explored above, as well as other potential improvement areas that may be unique to your organization, **it's an ideal time to look at the cloud for cost-effective and efficient supply chain management.**

In this white paper, we've explored just some of the key reasons that might make migrating supply chain applications and processes to the cloud the right solution for your organization. If you'd like to learn more, Quinnox can help. Visit us at www.quinnox.com/cloud-solutions.php.